



ADG Aviation White Paper submission

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Background

The Airport Development Group (ADG) has been a major contributor to the Northern Territory, injecting an average \$270M into the NT economy annually, since 1998.

As part of Australia's airport privatisation program, ADG acquired leases from the Australian Government for three major Northern Territory airports—Darwin International Airport, Alice Springs Airport and Tennant Creek Airport—in June 1998. Each lease is for 50 years, with an option of a further 49-year lease.

ADG owns and operates these airports, has a significant investment portfolio across hotels, property, and utilities, and will continue to invest in major infrastructure projects across the Top End to improve the lives of all Territorians.

Investments outlined in the Master Plan include enhancing taxiways and aircraft parking capacity, upgrading, and expanding the existing terminal to enhance customer experience, redeveloping road systems to improve accessibility and safety, and proposed changes to the forecourt in front of the terminal to improve pedestrian flow and beautify the area with landscaping. It's anticipated that ADG will continue to be a significant contributor to the NT economy, with airport activities at DIA forecast to contribute up to \$1.8 billion to NT GSP in 2043 and delivering up to 7,400 jobs over the period. With the Covid pandemic demonstrating that successful businesses need to adapt to change a growing and diverse asset portfolio will ensure ADG's long term viability.

ADG remains committed to environmental management and significant renewable energy investments are also planned, including opportunities to further grow our solar power generation and convert that into storage.

Impact of Bilateral Air Services

As discussed previously, the remoteness of Darwin results in air connectivity being critically important to the liveability of residents as well retaining the existing population. More critical though, population growth in Darwin is being fundamentally challenged due to a lack of air services and/or high-priced airfares. Limited air services competition exists both for international as well as domestic destinations with most serviced routes appearing at the bottom end of airline route profitability reports. This dynamic is due to;

- (a) the distance of Darwin from other major hubs, and
- (b) the subscale nature of a small population with significant seasonality.

The current backdrop suggests that population growth in Darwin is strategically important for Australia to continue to support Australia's Defence strategy. Growth in the mining industry is also of importance, with mining of rare earth and critical minerals required for the proposed major investments within the renewable energy and gas development sector. Improvements in liveability is fundamental to population growth and ensuring that the NT has a sufficient workforce to underpin these projects; enhanced air connectivity is critical.

The adding of ad hoc and incentive based international services alone does minimal to solving this conundrum. Rather, enabling (via say a special carve out regime) international carriers to improve domestic air connectivity via the carriage of domestic passengers to other Australian ports would likely materially change both liveability and the current negative population growth, as well as act as an enabler for the strategic objectives to develop Northern Australia. These such services would also support the good and freight sectors via underbelly capacity in passenger services. Currently significant cargo is trucked to and from the NT via other capital cities due to insufficient or uneconomic air cargo capacity.

This change is not to be taken lightly, the current negative trend for both visitation and population, together with the renewed strategic importance of Northern Australia and the Greater Darwin region, suggest that status quo is somewhat problematic. The opportunity in this change would greatly improve international air connectivity to millions of residents living in regional Australia whom need to travel long distances by road or take expensive regional flights to a domestic hub to be able to connect onward to international destinations. This often results in travellers commuting 'backwards' or in the opposite direction to reach their preferred destination.

Master Plans

Broadly, the Master Plan content specified in the Airports Act is reasonable.

ADG is currently undergoing the next scheduled update of the Master Plan for Darwin International Airport, with the 'Preliminary Draft' version of the new 2023 Master Plan currently released for the statutory 60-business day public comment period.

Of the 22 leased federal airports (LFAs) identified in the Airports Act there are only 2 joint-user airports. Darwin International Airport is one of these, being co-located with RAAF Base Darwin. Responsibilities between the Department of Defence and Darwin International Airport are set out in a Joint User Deed. Under the Joint User Deed, Defence is responsible for the preparation of Australian Noise Exposure Forecast (ANEF) charts that are required to be included in the airport's Master Plan. This has meant a delay in the production of the Master Plan.

Although most of the master plan requirements for joint-user airports (defined at Section 71(3) of the Act) relate to the airport's civil operations, one key element requiring significant Defence involvement is the joint military–civil aircraft noise forecasts.

The delivery of Darwin International Airport's last three master plans (i.e. 2023 Master Plan, 2017 Master Plan and 2010 Master Plan) have all been delayed due to exceptional circumstances outside of ADG's control, as a result of Defence's required involvement in the ANEF preparations.

Although recognising this as a trend, ADG has not yet identified a suitable solution to offer at this stage. ADG would also like to acknowledge the collaborative and supportive effort with Defence in preparing the most recent joint military civil ANEF for the 2023 Master Plan.

Major Development Plans

ADG agrees with the statement in the Aviation Green Paper that "... LFAs argue the long lead-times for planning and development in MDP processes are out of step and more onerous compared with planning provisions for similar development off-airport, particularly the \$25 million development costs trigger..."

ADG has experienced this issue, particularly with potential commercial (non-aviation related) developments not going ahead because of the monetary threshold being exceeded, and the project being rendered commercially unviable due to the time and cost impositions of undertaking the MDP process. In this respect, it can often be difficult for ADG to provide a competitive development offering to proponents, in comparison to nearby off-airport locations.

ADG also notes that in addition to the significant cost escalations recently experienced in the construction industry across Australia, the cost of construction at LFAs in regional and remote locations such as Darwin and Alice Springs can be further amplified due to aspects such as the availability of materials, the cost of freight, and the cost of labour.

ADG recommends that the project cost threshold trigger for major development plans be increased to \$50 million.

Other planning matters for consideration

ADG believes the regulatory reform process should also allow for airport-lessee companies to have the opportunity to take up the option of extending their head lease to the full 99-year term as soon as possible. The initial lease terms for ADG's three airports have less than 30 years until expiry, putting increasing constraints on future on-airport development plans. Extending the head lease to the full term would provide certainty for future development and investment, as well as increasing economic resilience to shock events such as the COVID-19 pandemic.

Disability access

ADG support the Aviation Access Forum (AAF) concept. Its charter should be extended to include linkages to Community Aviation Consultation Group (CACG) with access being a agenda item to be discussed more rigorously in each community that airports serve.

Government has a role to paly in supporting remote and very remote airports like those that exists in the Northern Territory to ensure our smaller communities can be funded to support great access to air travel.

Sustainable future

ADG is committed to a stronger sustainable aviation sector and is committed to net zero targets. However, this must lead to job creation and innovation. It will require the will of government particularly in the General Aviation (GA) sector which is struggling with cost pressures. GA is important to the vast area which is the Northern Territory.

Aviation Security

ADG was an early adopter of the new technologies for aviation security screening. This approach has meant a significant increase in security costs. While these are pass through costs to airlines and ultimately passengers ADG sees a pathway forward to lessen the impact of these to regional airports.

Aviation security relies on a network of measure to ensure the travelling public are safe. It is for this reason that all aviation security costs should be applied using a network pricing model. Simply the total costs for security across all airports are divided by total passengers passing through these airports. This would ensure consistent application of charge, cost, and better security outcomes across the country (eg a \$5 security costs no matter the airport traversed).

Often airports are challenged about these costs and at times can be the difference between growing and an impediment for new services. Network charging can be seen as inefficient but with the right framework this can be managed.

